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ORIGIN EB-03

INFO OCT-01 ISO-00 /004 R

66622

DRAFTED BY EB/ICD/TRP:PPPILKAUSKAS:DE

APPROVED BY EB/ICD/TRP:TJO'DONNELL

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R 022256Z APR 75

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FOLLOWING SENT ACTION BRASILIA LONDON PARIS BOGOTA
RIO DE JANEIRO ABIDJAN MEXICO EC BRUSSELS SAN SALVADOR
LUANDA MONN SAO PAULO GUATEMALA FROM STATE MAR 19

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E.O. 11652: N/A

TAGS: ETRD, EAGR, BR

SUBJECT: COFFEE: IBC PRESIDENT'S VISIT TO WASHINGTON

PARIS FOR ENDERS

1. SUMMARY: BRAZILIAN COFFEE INSTITUTE (IBC) PRESIDENT
CAMILLO CALAZANS, FONOFF CHIEF OF CABINET LUIS SOUTO-MAIOR,
AND OTHER BRAZILIAN OFFICIALS VISITED WASHINGTON MARCH 13
AND 14 TO MEET WITH DEPUTY ASSISTANT SECRETARY
KATZ AND OTHER US OFFICIALS CONCERNING COFFEE AGREEMENT
NEGOTIATIONS. BRAZILIAN OFFICIALS AFFIRMED THEIR INTEREST
IN ACCELERATING LONDON NEGOTIATIONS AND OUTLINED THEIR
CURRENT THINKING AS TO NATURE OF NEW COFFEE AGREEMENT. US
OFFICIALS WELCOMED BRAZILIAN VIEWS, EXPLORED IN SOME DETAIL
SOME TECHNICAL ASPECTS, AND POINTED OUT SEVERAL FEATURES
WHICH WOULD BE DIFFICULT OR IMPOSSIBLE FOR US TO ACCEPT.
MAJOR IMPLICATION THIS VISIT WAS SEEMINGLY CLEAR INDICATION
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BRAZIL FINALLY READY TO SEE NEGOTIATIONS IN LONDON GET

GOING SERIOUSLY ALTHOUGH SEVERAL SUBSTANTIAL ISSUES PROMISE
INSURE LENGTHY AND DIFFICULT NEGOTIATIONS- END SUMMARY

2. BRAZILIANS SAID THEY HAD MET PREVIOUS WEEK IN BRASILIA
WITH COLOMBIAN COFFEE FEDERATION PRESIDENT AUTURO GOMEZ
JARAMILLO AND REACHED LARGE MEASURE OF AGREEMENT THAT TIME
HAS COME FOR NEW COFFEE AGREEMENT AND ON BASIC IDEAS FOR
SUCH AGREEMENT. (GOMEZ JARAMILLO SCHEDULED VISIT

WASHINGTON MARCH 18 FOR FOLLOW-UP ON BRAZILIAN APPROACH).
BRAZILIANS AND COLOMBIANS WISHED SOUND OUT US REACTIONS
BEFORE ATTEMPTING SELL THEIR IDEAS TO OTHER EXPORTING
MEMBERS AND IMPORTING MEMBERS BETWEEN NOW AND MID-APRIL
RESUMPTION OF INTERNATIONAL COFFEE ORGANIZATION WORKING
GROUP ON NEGOTIATIONS IN LONDON.

3. IN BROAD OUTLINE MAJOR ELEMENTS OF AGREEMENT ENVISAGED
BY BRAZIL WOULD (A) REVIVE EXPORT QUOTA AND CONTROL
SYSTEM, WITH MARKET SHARES BASED ON TOTAL INDIVIDUAL
COUNTRY EXPORTS 1969 TO 1970 COFFEE YEARS, (B) HAVE
ANNUAL GLOBAL QUOTA AUTOMATICALLY DETERMINED BY MOVING
AVERAGE OF PREVIOUS THREE YEARS, (C) PROVIDE FOR GLOBAL
(AND HENCE INDIVIDUAL) QUOTAS BEING INCREASED OR DECREASED
AUTOMATICALLY WITH PRICE CHANGES AND (D) HAVE MAJOR
OBJECTIVE OF KEEPING PRICE WITHIN NARROW (10 7 12 CENT)
CORRIDOR WHICH WOULD ITSELF BE ADJUSTED PRIMARILY TO
REFLECT INFLATION AND CURRENCY CHANGES. MAJOR ELEMENT
WOULD BE 10 MILLION BAG RESERVE STOCK UNDER INTERNATIONAL
CONTROL, RELEASED TO MARKET AUTOMATICALLY WHEN PRICE
ABOVE CEILING. STOCK WOULD BE FINANCED BY CONTRIBUTIONS
FROM EXPORTERS AND IMPORTERS AND STOCKS WOULD BE HELD IN
PRODUCING COUNTRIES.

4. TWO FULL DAYS OF GIVE-AND-TAKE DISCUSSION (INCLUDING
LUNCHEON HOSTED BY ARA ACTING ASSISTANT SECRETARY BOWDLER)
PERMITTED FULL EXPLORATION THESE IDEAS AND INFORMAL EX-
PRESSION US REACTIONS, PARTICULARLY ON CERTAIN ASPECTS
WHICH WOULD IN OUR VIEW BE NON-STARTERS OR WOULD POSE
REAL DIFFICULTIES. FOR EXAMPLE WE POINTED OUT THAT WHILE
WE PREPARED CONSIDER PRICE RANGE, 10 CENT RANGE MUCH TOO
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NARROW; ABSENCE OF EFFECTIVE QUOTA SHORTFALL PROVISION
NULLIFIED RESERVE STOCK MEDIUM AND INDEXATION PROPOSAL
CLEARLY UNACCEPTABLE. TAKEN AS A WHOLE, BRAZILIAN
PROPOSAL ENVISAGED EXTREMELY RIGID SYSTEM, WITH LITTLE
PLAY FOR MARKET FORCES. WE EXPRESSED VIEW THAT AGREEMENT
WOULD PROBABLY FALL APART AT FIRST REAL PRICE MOVE
OUTSIDE NARROW PRICEMARKET.

5. NEXT STEP WOULD BE BRAZILIAN EXPOSITION THEIR VIEWS, PERHAPS SOMEWHAT MODIFIED IN LIGHT WASHINGTON DISCUSSIONS, TO WIDENING CIRCLE OTHER ICO PRODUCERS AND CONSUMERS, STARTING AT WORKING GROUP MEETING LONDON THIS WEEK. HOWEVER, THEY DID NOT PLAN TABLE FORMAL PROPOSALS UNTIL AT LEAST EARLY APRIL FOR DISCUSSION AT APRIL 14 TO 25 WORKING GROUP SESSION. WE AGREED MAINTAIN CONTINUING CLOSE RELATIONSHIP AND DIALOG WITH PERMANENT BRAZILIAN DEL IN LONDON.

6. CALAZANS AND SOUTO-MAIOR SEEMED GENUINELY PLEASED WITH OPPORTUNITY MEET KATZ AND EXCHANGE VIEWS.THEY PROCEEDED FROM WASHINGTON TO NEW YORK TO MEET WITH COLOMBIAN, IVORY COAST AND OTHER COFFEE LEADERS (INCLUDING GOMEZ JARAMILLO) AND WITH US TRADE AND INDUSTRY LEADERS. FACT THAT NEITHER TOP BRAZILIANS NOR GOMEZ JARAMILLO PLANNED ATTEND THIS WEEK'S ICO WORKING GROUP SESSION LONDON INDICATED CLEARLY THEY EXPECTED NO MAJOR DEVELOPMENTS THERE AT THIS STAGE. INGERSOLL UNQUOTE KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 02 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE061203
Document Source: CORE
Document Unique ID: 00
Drafter: PPPILKAUSKAS:DE
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: SECSTATE WASHDC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750487/aaaadbno.tel
Line Count: 135
Locator: TEXT ON-LINE
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 17 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 APR 2003 by BoyleJA>; APPROVED <21 MAY 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COFFEE: IBC PRESIDENT'S VISIT TO WASHINGTON PARIS FOR ENDERS
TAGS: ETRD, EAGR, BR
To: ADDIS ABABA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006